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Chair

The Honourable Shawn Murphy

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• (1535)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): At this point in time, I'd like to call the meeting to order and extend to everyone a very warm welcome.

This meeting today, colleagues, is in two parts. In the first hour we're going to hear from witnesses, and in the second hour, from 4:30 to 5:30 p.m., we're going to consider reports.

The committee is very pleased to have before us today representatives from the Australian National Audit Office. Let me introduce Barbara Cass, the executive director from performance audit services group, and Brandon Jarrett, executive director, professional services branch. They are both from the Australian audit office.

Welcome, Ms. Cass, and welcome, Mr. Jarrett, to Canada and to this committee.

The committee also has before it the Auditor General of Canada, Ms. Sheila Fraser, and she's accompanied by the deputy auditor, Mr. John Weirsema.

We're going to hear a presentation from the Australian audit office dealing with a peer review that is under way right now. It's being led by the Australian audit office, but there are a number of other countries involved in this peer review. It will be finished sometime next year and tabled in Parliament.

Let me just say a few words on the entire process that is under way here.

When we talk about the Office of the Auditor General and who's auditing that office, or who's watching the watchdog, there are a number of processes involved.

First of all, as I believe many of us are aware, the initial budget of the Office of the Auditor General goes through a panel of parliamentarians, chaired by the Speaker, and that recommendation goes to Treasury Board. It does not have to be accepted, but it certainly has considerable weight. That figure then makes its way into the main estimates as a line item. Then the Auditor General, at a meeting we have every year, usually in May, comes before us to justify the appropriations and to discuss her office's report on plans and priorities and her office's departmental performance report. That estimate line is approved. That, of course, makes its way into the main estimates, and that is the parliamentary appropriation for the office.

The second phase, of course, is the audit. Parliament has to ensure that the money is spent in accordance with the appropriations. Of course, the audit can't be done by the Office of the Auditor General. In that process, Treasury Board assigns that work to a Canadian accounting firm, usually a mid-sized firm. That audit is done to assure Parliament and Canadians that the funds, as appropriated, are spent in accordance with standard public sector accounting standards and that all transactions are recorded, etc. Those audited statements eventually make their way into the consolidated summary of financial statements of the Government of Canada.

The third area, colleagues, is a peer review. I believe this is the third one that has been conducted on our Office of the Auditor General. The first was done by a major accounting firm. The last two were done by international audit firms, and that is exactly what's going on now. They take place every five or six years. This peer review is being led by the Australian audit office. I think there are five or six other countries involved, and they all have certain assignments. At the end of the day, a performance report will be completed. Of course, we will have access to that report when it is done sometime next year.

The steering committee and the committee as a whole thought it would be beneficial for us at this point in time, when the work is being started, to hear from the office of the Australian Auditor-General, the audit office, as to the processes followed, the mandate, and when the work will be expected to be done, so that we have a clear understanding as to what the peer review process entails.

Having said that, I'm going to reverse the order and ask for the presentation from the Australian National Audit Office.

The floor is yours, and again, welcome to the committee.

Ms. Barbara Cass (Executive Director, Performance Audit Services Group, Australian National Audit Office): Thank you very much.

I won't bother to read out our opening statement. I'll just go through what our presentation is.

As you're aware, and I'm sure your Parliament is no different to ours, members of Parliament and the public look to the Auditor General of Canada for independent, objective, and reliable information upon which they can rely in assessing the government's performance and holding it to account.

This is by way of background information so that you're aware of what we're doing in terms of the peer review.

The Office of the Auditor General's audit work is guided by a rigorous methodology and quality management framework that is aimed at providing reasonable assurance that the OAG discharges its legislative authority in accordance with applicable standards of professional service. The objective and independent review that's being undertaken by our office and other experienced reviewers provides an opportunity to constructively examine and strengthen the work of the Office of the Auditor General of Canada.

The OAG has a quality management system for each of its product lines. The QMS, as it is called, covers areas such as audit and examination management, people management, and continuous improvement as some of the areas. The review objective is to provide the Auditor General of Canada with an independent opinion on whether the Office of the Auditor General of Canada's quality management system is suitably designed and operates effectively to provide reasonable assurance that the work of the OAG complies with its legislative authorities and professional standards.

The scope of the peer review will include all audit and assurance practice lines as well as key support areas that directly support the audit and assurance areas. These will be professional development, the resourcing of individual audits, and the continuous improvement processes that the OAG has in place.

The period under review will cover audit and assurance engagements reported during the period of September 2008 to October 2009. As has already been mentioned, the Australian National Audit Office is leading the peer review team, and it will cover all product lines. We have split the team to cover those lines.

The Netherlands and Denmark, with Australia, will be involved in the review of the performance audits and special examinations of crown corporations. Again, with Australia, Norway and Sweden will be involved in the review of the audit of the annual summary financial statements, the Government of Canada, and financial audits of crown corporations and territorial governments.

The review criteria we are using are going to be based on the OAG's quality management systems, key legislative authorities such as the Auditor General Act, the Financial Administration Act, and the Federal Sustainable Development Act, and it will be based on the Chartered Accountants of Canada assurance and auditing standards.

The peer review will be conducted in a number of stages, and it is our intention to provide a report by June 2010. The actual review commenced with a planning meeting with the OAG and the peer review team members from Australia in June this year. In August, the OAG provided the whole peer review team with comprehensive briefings and explained all elements of the quality management framework. These briefings will assist the team in assessing whether the QMSs are suitably designed for performance audit, special examination, and annual audits.

We've also analyzed the OAG's quality management system, auditing standards, their policies, and guidance as it applies to each of the audit categories. Our current visit is perhaps the most important one because we will look to see how the OAG implements its quality management system, and we'll do this by reviewing a sample of audit files.

The sample that we have chosen covers 17 audits as well as components of the consolidation of the summary of Public Accounts of Canada. It will include performance audits, special examinations, departmental financial audits, financial audits of crown corporations, a territorial financial audit, and other statutory financial audits.

● (1540)

For your information, when we looked at selecting our sample we based it on a number of factors. These included the risks that were associated with either the entity or the audit topic, the materiality of the particular audit, the timing of the audit, the number of agencies involved, how complex it was, and the audit practitioner and assistant auditor general of the OAG.

We are also seeking, as part of our peer review, to get the views of a number of key stakeholders and their view on the work of the OAG. As well as appearing before this committee and speaking to your chair and vice-chairs, we will be speaking to the chair and vice-chair of the Standing Committee on Environment and Sustainable Development, the Comptroller General and his assistant, the chief executive officer of Export Development Canada, the Privacy Commissioner, the Deputy Receiver General of Canada, and senior executives of the Department of National Defence and Revenue Canada. So we have a broad section of stakeholders that we will be talking to.

The final report, which, as I said, we will be able to present to the Auditor General by June 2010, will include findings of the performance audit, special examinations, and financial audit reviews. It will provide an opinion against the review objective. It will also include examples of good practice at the OAG and suggestions for improvements.

We would also like to acknowledge this committee and to thank the Auditor General and her staff for their cooperation and full support for this peer review.

If you have any questions you would like to ask, we are more than happy to answer them.

Thank you.

The Chair: Thank you very much, Ms. Cass.

I will now turn it over to the Auditor General, Sheila Fraser.

Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada): Thank you, Mr. Chair.

I would like to make a few comments regarding the external peer review, and my comments will be brief.

Let me start by providing a little bit of background information.

As you mentioned, this is the third peer review of my office. The first one was conducted in 1999 and focused on our financial audit practices. The second peer review, in 2003, focused on our performance audit practices. That particular review was the first of its kind for any national audit office. As you indicated, it was undertaken partly in response to a question that we are often asked: who audits the Auditor General of Canada?

The peer review under way now is even more comprehensive because it encompasses all of our product lines as well as some of our corporate services.

• (1545)

[Translation]

International peer reviews of legislative audit offices are becoming more common. Ultimately, they provide independent assurance that our work can be relied on.

We are grateful that the Australian National Audit Office accepted to lead this review. The peer review team is made up of representatives from several audit offices, including the Netherlands, Denmark, Norway and Sweden. The arrangement is that we pay the expenses of the peer review team while their salaries are paid by their respective audit offices.

As mentioned, the peer review team's report should be finalized by June 2010. At that point, we will provide responses to their recommendations and develop an action plan. Both the report and our action plan will be shared with this committee and made public. We would be pleased to appear before the committee to discuss both the report findings and our plan going forward in response to the recommendations of the peer review team.

[English]

Mr. Chair, if you permit I would like to present some of the members of the peer review team who are here today. In addition to Ms. Cass and Mr. Jarrett, we have from Australia Deborah Jackson, Clea Lewis, and Amy Fox. From Norway we have Erna Lea and Lars Moller. From Sweden we have Anna Fahl and Jan-Ake Nelsson, who are present in the room.

Thank you, Mr. Chair.

The Chair: Thank you very much, Ms. Fraser.

We're only going until 4:30 on this matter, colleagues, so I'm going to start with five-minute rounds and see how we get along.

Go ahead, Mr. Kania, for up to five minutes.

Mr. Andrew Kania (Brampton West, Lib.): Thank you, Mr. Chair.

Welcome to all our guests.

For the Australian guests in particular, I would like to comment that I was in Australia this summer as the joint chair of the Standing Joint Committee for the Scrutiny of Regulations. I met with your parliamentarians and some of your senators. You have a beautiful parliament, and I was treated very well. I will comment on that and say thank you.

My first question for our guests is this: what is not covered in the scope of this peer review, if anything, and if not, why not?

Ms. Barbara Cass: From our perspective, the peer review covers all the practice lines. It also covers what we have called the key support areas. With that, we haven't covered all the human resource management areas. We have looked at the ones that we considered to be important. Examples are the resourcing of the audits, the continuous improvement, and the training of the teams. We haven't looked at corporate services from the point of view of looking at payrolls and things like that.

Mr. Brandon Jarrett (Executive Director, Professional Services Branch, Australian National Audit Office): In terms of what the OAG releases, nothing is out of scope. It's been made very clear from the discussions from the Auditor General that we can look at anything we want, and we've looked at a sample of what we believe to be most important and representative aspects of their work.

Mr. Andrew Kania: While I'm in no way suggesting that the practices are not adequate, what criteria will you be using to determine if they are in fact adequate and whether they need improvement?

Mr. Brandon Jarrett: The OAG, like ourselves, operates under auditing standards and also has its own internal policies designed to make sure that the quality of work meets expectations, so we'll be assessing it against the auditing standards and also against the internal policies that it has set for itself. We'll also look at those policies to see whether we think they are appropriately designed for an audit practice.

Mr. Andrew Kania: Are these standards and policies that you will be using as a reference point all reduced to writing already? Do you have them such that you could actually present them to the committee?

Ms. Barbara Cass: They are actually using what are called the general standards of quality control for firms performing audit. Those are the Canadian auditing standards.

• (1550)

Mr. Brandon Jarrett: They are publicly available documents.

Mr. Andrew Kania: That's fine. I'm not on this committee; if the committee members are satisfied, that's fine.

Ms. Fraser, I understand from this report that previously there were opportunities for improvement. That is from the 2003 study. Could you tell us what state that is in, whether the improvements have all been implemented, and whether that is also something that will be audited, in terms of whether they were satisfactorily implemented?

Ms. Sheila Fraser: Actually, from both of those peer reviews there were opportunities for improvement, as we would expect, quite frankly, from any audit. An action plan was developed for the recommendations that we thought were appropriate and relevant.

I'll give you an example of one that wasn't. Not all of the national audit offices work to the same standards that we work to. We work to what we call assurance standards. Other offices don't need to have the same level of confidence, if you will, that we require in our work. So, for example, there were suggestions that we should be using other techniques in conducting our audits, such as focus groups. We looked at that and we agreed that focus groups would not be an appropriate source of information for us to bring to parliamentarians. It would not fit within our assurance standards. There were some recommendations like that, recommendations that we analyzed and concluded were not appropriate.

I would say most of the recommendations, the action plans, have been completed. There are still some areas that are ongoing, with new standards coming in and methodologies being updated. We have a very big initiative going on right now in the office to redo our methodology and to bring that up. I am convinced that one of the recommendations that will be coming out of this practice review will be that we need to complete that work, but I would say most of the work has been done. If the committee wishes, we can obviously provide an update on where those actions were from the last review.

Mr. Andrew Kania: I have a specific question. With regard to the opportunities for improvement that you have mentioned, will that segment be audited by our friends to determine whether they agree with what has or has not been done?

Ms. Sheila Fraser: It is up to them to decide the scope of their audit.

Mr. Brandon Jarrett: Basically we've re-based the work. Whilst we're aware of other work that's been done in the past, we've looked at it from the base up. We make a judgment about where things need to be based on our analysis, but we will be informed on what's happened in the past.

The Chair: Thank you, Mr. Kania.

Thank you to our guests.

Go ahead, Madam Faille, please.

[Translation]

Ms. Meili Faille (Vaudreuil-Soulanges, BQ): Thank you, Mr. Chair.

I am tempted to discuss accrual accounting with you, but I will limit myself to one comment. We have with us a committee member who worked very hard on the accrual accounting file, and I am happy to point out, at every meeting of the Standing Committee on Public Accounts, that his experience is invaluable to us. I benefited from his replacement as chair.

I would like to know whether the objective of the review takes into account improvements that have been made since 2003. The review covers the quality management system that was put in place in the Office of the Auditor General overall. There is a high level of satisfaction with the work done by that office. In 2003, certain improvements as well as an action plan were put forward. Will the review check to see whether those improvements were made?

[English]

Ms. Barbara Cass: In terms of looking at this peer review, I think it's important to note that the previous peer reviews did not cover all

the areas that we are looking at. They really only covered elements. The 1991 review looked at the financial audit. The 2003 one looked at the performance audit. We are looking at all the practices. We will be informed by the previous reviews, but as my colleague Mr. Jarrett pointed out, ours will be based on the analysis of our own findings and the work we do at this point.

We are aware of the previous reviews. We've certainly read them, and we will certainly see what action has been taken, but it will have to depend on the criteria and the analysis that we do ourselves.

• (1555)

[Translation]

Ms. Meili Faille: Thank you.

The quality of the Auditor General's observations often depends on the quality of the data and information that are provided to her by the departments. Will your review include observations on access to information that your office needs to carry out high-quality audits?

[English]

Ms. Barbara Cass: When we do our peer review of the various audits that have been done, we will be looking to see, for example, that the evidence that has been collected supports the findings, the conclusions, and the recommendations of that particular audit. If that evidence is not available, or if for some reason there have been difficulties collecting it from the department, then we would certainly discuss it with the Office of the Auditor General, but that is not our primary task. We are looking to see that, by auditing standards, the work that has been done supports the reports that have been tabled in this Parliament.

[Translation]

Ms. Meili Faille: Will you comment on how our audit system compares with that of other countries?

[English]

Ms. Barbara Cass: We will not be benchmarking your audit system or quality management systems as they are against other countries, because, as the Auditor General herself pointed out, there are very different standards applied. What we will be looking at is whether the systems that are in place support the ability of the OAG to provide public reports that are supported and done in accordance with the accounting standards.

[Translation]

Ms. Meili Faille: Thank you.

[English]

The Chair: Merci, Madam Faille.

Go ahead, Mr. Christopherson, for up to five minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Chair.

Welcome to all our guests. I hope you have a wonderful time here.

I would just say to the Danish delegation that I'm proud to carry the name, but I have to tell you, that's as far as it goes. There's no other tie to the culture. The reality is—I'm giving you my family history here, but it's part of this—that was my father's stepfather. That's where the Danish came from. I've been proud to wear it. I got all the credit for how wonderful your country is, and it's been wonderful, but I'm actually Dutch by blood on my father's side.

I won't go into my Australian context, because I already bored them with that story the other day when I met with them.

This is a great delegation. I'm thrilled that you're all here.

I want to open up my remarks by saying how impressed I was with the calibre of the Auditor General from Australia and your delegation yesterday. Like the chair and the other vice-chair, as a vice-chair I was interviewed yesterday. I enjoyed it thoroughly. On the level of professionalism, the highest compliment I can pay you is that it meets the same standard that Madam Fraser brings to auditing here in Canada. I was very impressed.

I want to also say this to all our guests so that they know what esteem we have for Madam Fraser and her shop and all the people there, in terms of her leadership and the quality of it and also in terms of the quality of her person. I say this because you need to know how strongly we feel. I can tell you that the Canadian people see her as being on their side. Every time they see Madam Fraser on TV, they look at her and say, "That's my fighter, and she's there making sure that my bucks are being taken care of." And that's well earned.

Having said that, I do have a question or two.

Voices: Oh, oh!

Mr. David Christopherson: First, I won't use the word "collusion", because that's a bit strong, but I have to say that I don't think I've ever seen coordinated opening statements quite the same as I have here now. You didn't read them, but under the....

There's a reason why I'm raising this.

Mr. Jarrett, in your comments, you were going to say, "As noted by the Auditor General, this is a very comprehensive review." But then you got kind of screwed up because you went first instead of second. Madam Fraser's comments say, "The peer review now under way is even more comprehensive...." It looked to me like there was a little bit of coordination and we don't normally have that.

I raise that by asking one question. We rely so much, particularly those of us who are not professionals, not auditors, on the professionalism of everything to do with the Auditor General's shop. It's so important and it's so detailed that we need to know.

Your check on this is critical for us, because we have no idea, really, of how to look at it from the outside in the way that you're going to.

My question to you is this. In order to give us the full comfort we need, what assurance, Mr. Jarrett, can you give us, on behalf of the auditing team, that we don't have to worry or be concerned about the clubbiness, if you will, of auditors general around the world?

You go to the same conferences and I'm sure you go to social events or have dinners when you're meeting, so you do get to know one another. What assurance can you give us that we need not worry at all that, on something that's a judgment call, good old Sheila is going to be a priority over good old Canada's ways of doing things?

I know the answer, but I think it needs to be asked. I'd just like to hear you say it. Put it on the record, if you would, please, sir.

• (1600)

Ms. Barbara Cass: Could I please actually explain to you so that I can give you some level of comfort about the opening statements?

I arrived here on Monday morning. The Auditor General's opening statement was already prepared. It was just coincidence, I have to tell you, that the word "comprehensive" got in there. The reason it is classed as comprehensive—and I think any audit office would say it—is that it covers every one of the practices and most of the support services that support the practices.

I'd also like to make the point that, from the point of view of the independent nature of it, perhaps it also helps the committee to know that I've personally been involved in a number of peer reviews, and I have been led by Canada, and I can assure you that everyone on that team brings to them a level of experience and professional judgment.

Equally, when it comes to making the findings of those reviews, they are done and treated with the respect they deserve. There is no collusion. There is no point where we sit down and argy-barge over what they are. We will do our utmost—

Mr. David Christopherson: Thank you for using that term.

Voices: Oh, oh!

Mr. David Christopherson: Unless you watch *Coronation Street*, you don't get it very much.

Ms. Barbara Cass: So all I can do is assure you that we do bring a level of independence that is recognized and respected by the Office of the Auditor General of Canada.

Mr. Brandon Jarrett: If I could just add something, too, the Auditor General expects us to raise everything we're concerned about. She also expects a robust debate and discussion and clear reporting about what we think, and that's what's going to happen.

Another thing is that we're a long way away from Canada.

Voices: Oh, oh!

Mr. David Christopherson: We know where you are.

Thank you very much, and thank you for all you're doing.

Thank you, Chair.

The Chair: Thank you, Mr. Christopherson.

Mr. Saxton, for five minutes.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Mr. Chair. I may share my time with my colleague Mr. Weston if I have any time left over.

I would also like to begin by welcoming our friends from Australia to Canada and also from the other countries—the Netherlands, Denmark, Norway, Sweden—all countries and peoples that we hold in very high esteem. So we appreciate that you're doing this for us.

To Ms. Cass, have you done a peer review of this type before?

Ms. Barbara Cass: Yes, I have.

Mr. Andrew Saxton: And has Mr. Jarrett also been involved in a review of this type before?

Mr. Brandon Jarrett: Not an international one...well, not as comprehensive as this one. I oversaw peer reviews of the New Zealand audit office and some of our state audit offices. I'm also responsible for quality assurance within our office, the Australian National Audit Office.

Mr. Andrew Saxton: Could you share with us the budget that you have for this review?

Mr. Brandon Jarrett: I can say the budget is as much as we need. It has been made very clear that doing a comprehensive and appropriate job is the most important factor. That's not to say there isn't control over what we spend, but we haven't been set a budget within. Basically, we've said this is what we need to do the job, and that's what has been agreed upon.

Ms. Barbara Cass: I think it's important to point out that the budget really covers our travel costs, our own salaries, and the time we spend on the peer review is actually borne out by our own audit offices around the world.

• (1605)

Mr. Andrew Saxton: For that we thank you very much.

I was going to ask at what stage your audit is, but I understand you just got here on Monday, so I presume it's—

Ms. Barbara Cass: No, I should explain that.

As I mentioned, we have been here a couple of times before. That allowed us to do the planning and the groundwork for the peer review. The second time around, it allowed the team to get a very good understanding of the OAG's work, how it undertakes its practices, how it undertakes its auditors, what's involved in their quality management frameworks.

Coming back for this third time is where we actually look at the implementation of that framework, by going through and doing a thorough review of the audits that we've sampled.

Mr. Andrew Saxton: Thank you very much.

At this point, I'll pass the mike over to my colleague Mr. Weston.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you, Andrew.

Welcome to all our guests. It's quite a remarkable thing; I don't think we could have invented this process if you didn't come to us with it. It reminds me of that Latin phrase, which I'm sure I will mangle, *quis custodiet custodes*, or who takes care of those who are supposed to watch over us?

Given the reverence, as you've heard, with which we hold our Auditor General, we're all kind of concerned that you might find

something that we don't want to hear. But what would be the worst thing that you would be able to find? That would be a hypothetical situation, and then I'm going to ask you for a more concrete one. In other audits, what's the worst thing that you have found, or the most surprising thing that is perhaps of note to the citizens of the country where that audit took place?

Ms. Barbara Cass: Hypothetically, I would say that for us as auditors, the crucial thing is to have the evidence to support the findings, the conclusions, and the recommendations. If you do not have that evidence and if the audit has not been undertaken in accordance with the auditing standards, then the credibility of the audit report is in question.

So that would be, to me, the fundamental that has to be there. The evidence has to support that and the audit has to be done in accordance with the auditing standards.

Mr. John Weston: Mr. Jarrett, would you care to add to that? I know this is the first one you've done, but you've obviously heard about other ones.

Mr. Brandon Jarrett: I agree with what Barbara said.

Mr. John Weston: That was quick.

What would be the consequences of a negative finding, let's say, where you weren't finding the evidence that ought to underpin the conclusions of the Auditor General?

Ms. Barbara Cass: We would raise the matter with the Office of the Auditor General. I can only assume—and as this is hypothetical, I will—that the way it would need to be addressed is that the office would look at that particular audit, and if there were a need to do another one or to redo some of the work to actually provide that level of assurance, I'm quite sure they would.

Mr. John Weston: Thank you.

The Chair: Thank you, Mr. Weston.

Mr. Lee, for up to five minutes.

Mr. Derek Lee (Scarborough—Rouge River, Lib.): To the Auditor General, by corporate memory and recollection, how would this peer review differ from the last one six years ago? Are there any material differences that you have seen?

Ms. Sheila Fraser: Thank you, Chair.

There is quite a significant difference. The last one was only limited to the performance audit practice, whereas this one is looking at all of our practice, so it includes our financial audits, special examinations, the whole breadth of the professional practices, as well as all of the support services—which I think the last time were only touched fairly superficially. So included in this audit are such things as the training of staff, the competencies assigned, and the people who are assigned to specific audits.

Mr. Derek Lee: As you go into this one—and you'll certainly have had an opportunity to review this with the peer review group—are there processes in transition in your OAG now that might not be ready for prime time review, or are you in pretty static state now and all of your systems are reviewable?

Ms. Sheila Fraser: I would love to be able to say that all of our systems are perfect, but that's not the reality. As I mentioned earlier, we have a very significant process under way with regard to our methodology and our guides to our staff. We realize these are not as good as they should be.

There are a number of very significant changes coming to accounting and to auditing standards in Canada. We actually came to the conclusion that we could not cope with all of this ourselves—which I think I informed the committee of in our last performance report—and formed a strategic alliance with one of the major accounting firms to be able to access their training.

So there will be, over the next two years, a significant investment by us in methodology and training and in redoing the way we deliver all of our manuals, and even how we deliver our training. We're going to go to e-learning and things like that.

As we say to departments, we're not going to wait until everything's perfect before we come in to do an audit, and so I feel the same way for us.

My expectation, my hope, is that the review team will take our plans into account. I know they will flag areas where there are gaps. Hopefully they don't find anything that we haven't already identified ourselves and that we're working on to address.

● (1610)

Mr. Derek Lee: To the peer review team, there's hardly an institution in a developed country that isn't in some sort of transition somewhere: everything seems to be in motion, with institutions modernizing and updating, etc. So as you look at the Office of the Auditor General here, as was just described, there may be some things in transition, so wouldn't it be a waste of time to be looking at things in transition that you cannot actually get a snapshot of because they're in motion?

Wouldn't it be more efficient simply not to review it and to say that you're not doing this or that component because it's in transition and you can't get a good measurement of it, and so it would get a nil report? Don't you have circumstances like that? Isn't it a waste of time to look at a component of an operation if it is in transition?

Mr. Brandon Jarrett: I think one of the things we settled on early was the scope of the work. From our perspective, nothing being out of scope is important. I know this doesn't apply here, but the best way, the auditor always knows, for something not to be looked at is to say it's out of scope.

So everything's in scope. We'll put it in context and it'll be worked through.

Mr. Derek Lee: I guess that's experience talking.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Lee.

Mr. Kramp, you have up to five minutes.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Mr. Chair.

Certainly, welcome to all. It's been a pleasure to meet you personally.

Those of you who I haven't met from the international community, thank you so kindly. I trust that your time spent in Canada will be amenable, friendly, and hopefully very rewarding for us.

My first question is to Ms. Cass.

While you will operate here under the terms of the Canadian accounting standards, can you describe the similarities and/or differences in the accountability process or standards between Australia and Canada?

Ms. Barbara Cass: Basically we have assurance standards as well. They're not dissimilar to the ones Canada uses. The international accounting standards are also quite similar. We will be using the Canadian auditing standards, because the audits are being done under those standards. Equally we'll be using the OAG's quality management systems, because that is the way the work is being done under those processes. But the standards we will be using are well recognized.

Mr. Daryl Kramp: Thank you.

Madam Fraser, you mentioned that some further attention will be given to past recommendations and/or some evolving standard changes that will be coming to your office. Can you elaborate further and give us an indication of exactly what you're talking about, and give us an implementation date as well?

Ms. Sheila Fraser: I'd be glad to.

Until just recently, Canada has always set its own accounting and auditing standards through the Canadian Institute of Chartered Accountants. There are boards that develop these standards. The decision has been made to move to international auditing standards. That will come into effect in 2010. So modifications will have to be made to our methodology. In fact, we are holding the first pilot training course today. We will have to train all of our staff in these new standards and adapt all of our manuals, guides, and everything to the new standards. The differences are not enormous, but there are some pretty significant differences that have to be taken into account.

On the accounting standards, it's largely the same thing for publicly accountable enterprises, which would include crown corporations, for example. Canada has also gone to international financial reporting standards, IFRS, which will be coming into effect in 2011. There are some significant challenges there for the preparers of the financial statements as well as the auditors, because there are changes there.

Again, we have to go through and identify what the differences are, train our people—which we've already started—and put those differences into our audit program so we pick them up. There is a lot of work that has to be done. Some of it has started already, but it has to continue over the next year.

● (1615)

Mr. Daryl Kramp: We can understand that from your perspective, but of course this could translate into significantly different methodologies that departments might have to use to accommodate that reporting demand.

Could that put a different onus on these departments that we're not familiar with? What timeframe might that take for them to get up to snuff to meet this new standard?

Ms. Sheila Fraser: At the moment the public sector accounting standards have not changed. The accounting within departments remains as is. The only difference that's happening in departments, which is an issue we're dealing with, is in audits of departmental financial statements. We've had one and we may have another one this year, so that might change.

But the big impact will be on the accounting in certain crown corporations. Crown corporations like Canada Post and CBC will have to change the way they account for certain transactions.

Mr. Daryl Kramp: That's a concern for us as well, because if they're operating under one process and have to modify or amend it, who will prepare that plan? Will it come from you with a sense of direction, or will they be preparing information that they think might be accountable but you might expect more? Is there communication taking place between your office and the departments?

Ms. Sheila Fraser: Yes. In fact, about a year and a half ago we began discussing with the entities that would be affected by the coming changes how they were going to move to this. The problem is that even if it comes into effect in 2011, they have to have the comparative figures. It means they have to be ready a year earlier. The Comptroller General has also been quite active in this. We do have some discussion on that in our observations on the public accounts. Perhaps when we have that hearing, we can get into more detail about that.

Mr. Daryl Kramp: Thank you so kindly.

The Chair: To you, Ms. Fraser, can you take us through the tabling process? Ms. Cass indicated that the mandate, the report, should be completed by the end of June 2010. Is that delivered to you or is it tabled in Parliament? And will Ms. Cass be here for the tabling?

Ms. Sheila Fraser: The idea is that the report is to be delivered to me. I would be glad to discuss with the committee how we provide it to the committee and make it public. The process was a little different the last time, as I believe I received the report at the end of 2003 and Parliament wasn't sitting. Then in February 2004, we got into a lot of other things. But we did have a hearing or a partial hearing on the report and the recommendations. I don't recall at the time that the peer review team was present for that, but should the committee wish that to be the case, we can certainly try to arrange it with the peer review team.

• (1620)

The Chair: So what you're saying is that the report will be made public, and it will be available to the committee, and the committee can do what it wishes with the report at that time, including have a hearing with the lead group.

Ms. Sheila Fraser: That's right. And we would be glad to work with you on how we release it and when.

The Chair: Okay.

We're pretty well at the end of the meeting. We can allow two more minutes each for Mr. Paillé, and then back to Mr. Christopherson, if he wants.

Two or three minutes, Mr. Paillé.

[Translation]

Mr. Pascal-Pierre Paillé (Louis-Hébert, BQ): Thank you, Mr. Chair.

It is good to go last, since a number of questions have already been answered. There is unanimous agreement on your work, Ms. Fraser, and I congratulate you. Although I have not been a member for very long, I can see that you are doing a good job.

My question may seem a bit odd, Ms. Fraser, but I was wondering what your expectations are for this report. Do you expect that it will be positive? Are you confident that you will get high marks?

Ms. Sheila Fraser: I hope the report is positive. I would not want it to show that we did not adhere to the standards and practices, although, admittedly, that is possible.

However, I anticipate that it will make recommendations to improve how things are done. The benefit of having several international colleagues is that they bring their own unique experiences and perspectives to the issue. There is always something to learn.

It was important to me to undertake this review before my mandate was up; I did not want my successor to be the one to do it at the beginning of their mandate and have it be seen as a criticism of my methods. I think it is important to end my mandate on a positive note and to say that the office is in good shape or that certain improvements need to be made.

Mr. Pascal-Pierre Paillé: Thank you.

[English]

The Chair: It is 25 minutes after the hour. I propose that we suspend for two minutes, colleagues, and then we'll resume in about two minutes' time. We'll start with the approval of the minutes from yesterday's steering committee.

- _____ (Pause) _____
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- (1625)

The Chair: I'd like to call the meeting back to order. There is just one housekeeping matter before we get into the report.

In the first report we will deal with chapter 5, "Passport Services", but what I want to do, colleagues, is review and approve the minutes of the steering committee held yesterday. Those minutes have been circulated. Attached to the minutes is the draft agenda of the committee for the next two or three weeks. As you can see there, it's all self-explanatory.

Next Monday we have a one-hour meeting on interest on advance deposits and draft reports. Then we go to the NRC the following week. In the week before the break, it's draft reports.

Then, I just want to point out to members that on Tuesday, October 3, we will have the tabling of the Auditor General's fall report. That's with the normal lock-up on the morning of the briefing by the auditor, and then at two o'clock, the auditor of course will be tabling that report in Parliament. On the following day, October 4, we will have the auditor before us on all chapters in that report.

After that, it becomes a little more of a moving target, but I just want to circulate this.

Are there any questions or is there discussion on the minutes?

All in favour of their approval?

(Motion agreed to)

The Chair: The minutes are approved as circulated.

Just for information purposes, I note that Mr. Lee has filed a notice of motion. That's been taken on notice. If Mr. Lee wants to pursue that, he can do so at the meeting on Monday.

The meeting will now resume in camera.

[Proceedings continue in camera]

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